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CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	INITIALS	DATE
1	Ch/I/SH	HCL	11/24
2	Ch/D/I	EMP	25 Nov 59
3	Ch/E	E la	25 Nov 59
4	SA/RR AD/RR	for OAG	30 Nov 59 4 Dec
5		WDM	7 Dec
6		OAG	
ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE
Remarks:			
<p>From 2: Attached are two trip reports covering the [REDACTED] conferences on the Soviet Navy and shipbuilding industry.</p> <p>The secret report is a routine trip report which satisfies the requirements of the DD/I notice.</p> <p>The special report, however, brings up three very serious problems--internal ONI coordination, ONI-CIA [REDACTED] coordination, and in light of these, the usefulness of future conferences. I consider the internal ONI problem of paramount importance to the intelligence community and therefore, recommend that you consider sending this report to the DD/I for possible discussions with Admiral Frest.</p> <p>It is my view that the Admiral is (over)</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
[REDACTED] I/SH, 1117-Q, 4233			24 Nov 59
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probably not aware of the situation and that
he should be informed; whether he does anything
about it, is another matter.

It is recommended that caution be used
so as not to hamper those areas of good
CIA-ONI relations that exist.

EMP

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*we had no delegates [redacted]
Naval Corps - only observers x
The only point I see is the
withholding of info - was it really
intentional or only time lag?*

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23 Nov

Go- ST/1/R
(for AO's file)
Gn- ST/CS/RR

THIS DOCUMENT CONTAINS CODE WORD MATERIAL

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23 November 1959

MEMORANDUM FOR: Assistant Director for Research and Reports, ORR

THROUGH: Chief, Economic Research, ORR

THROUGH: Chief, Industrial Division, ORR

THROUGH: Chief, Shipbuilding Branch, ORR

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FROM: [REDACTED] I/SH

SUBJECT: [REDACTED]

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REFERENCE: Agenda for the subject conferences.

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The work of the [REDACTED] Conference was seriously hindered if not rendered completely useless by certain conditions that prevailed prior to and during the conference. Unless corrective measures are taken at future conferences, it is considered highly inadvisable to continue the current pattern.

The following discussions of these conditions are listed in the order of the magnitude by which they affected the conference:

1. Coordination and Cooperation by the Office of Naval Intelligence (ONI)

For a number of years ONI has resented the activities of ORR in the field of naval shipbuilding. ONI has the responsibility under DCID No. 3/1 for the production of military-economic intelligence on all foreign countries including shipbuilding in Sino-Soviet Bloc. ONI never has fulfilled this requirement, even in the field of Soviet naval shipbuilding, to the extent required for ORR to discharge its responsibilities under the same DCID. It became necessary, therefore, for ORR to study in detail both naval and merchant shipbuilding. Because ONI has the primary responsibility for all shipbuilding, all published ORR reports bearing on this subject must first be coordinated with ONI. This coordination has been done reluctantly by

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ONI and even refused in some cases. With exception of the NIS program, there is no coordination with ORR by ONI on its publications or shipbuilding position reports. Although the relationship with ONI on the whole remains much the same as stated above, relationship with certain ONI individuals, particularly those whose employment is on a continuing basis, has improved vastly over recent years. Moreover, the relationship with ONI's representatives, who are from OP 922 G Technical Branch, on the EIC Shipbuilding Subcommittee are excellent. It has been largely through these EIC representatives that any coordination has been accomplished.

The foregoing statement provides some background against which the events preceding and during the conference may better be understood.

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Last spring, [REDACTED] Shipbuilding Conference in November, the EIC Shipbuilding Subcommittee thought it would be a good plan to publish a coordinated paper on Soviet naval and merchant shipbuilding for a three-year period -- 1957, 58 and 59. Except for river or inland ships and small fishing ships, production for the three-year period was reported on a single ship type or class basis. This report was prepared by the joint effort of ONI and ORR and was thoroughly reviewed during several conferences with ONI at which the following representatives of ONI were present: OP 922 Y1 Operational/Intelligence Branch, Mr. Laska; N Foreign Navies and Maritime Branch, Mr. Leggett and Miss Dimock; G Technical Branch, Mr. Soelberg; and B Estimates Branch, Cmdr. Zimmermann and Lt. Cmdr. Irwin. This report later was agreed to by the remaining EIC members. It was understood at that time that the EIC report would be used as the basis for shipbuilding estimates to be presented at the [REDACTED] Conferences, subject, of course, to such modifications as later intelligence would require. Just prior to the [REDACTED] Conferences, ONI assigned the responsibility for preparing estimates on naval shipbuilding to be presented at these conferences to the Y and N Branches. [REDACTED]

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[REDACTED] ORR learned only a few days prior to the [REDACTED] Conference that these estimates completely ignored [REDACTED]

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and departed from the previously agreed to EIC report. No coordination was attempted by ONI with ORR or within ONI between the Y and N Branches before [REDACTED] presenting it to the 25X1X7 Conference.

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[REDACTED]

ONI sent four representatives to the [REDACTED] Conference: Capt. Stay, 25X1X7 Mr. Soelberg and Lt. Cmdr. Thomas, from G, Technical Branch, and Mr. Smiley from N Branch. ONI did not send a representative from the Y Branch but gave a position paper to Lt. Cmdr. Thomas to present. Mr. Smiley, although from N Branch, did not participate in the preparation of the ONI position paper. Lt. Cmdr. Thomas, although a technical man, did not have the necessary shipbuilding background information to discuss properly the new ONI position. At the [REDACTED] Conference the 25X1X7 representatives from the Y and N Branches who had prepared the new estimates also presented them. It should be quite apparent that the CIA representatives were placed in an awkward position.

Probably the most damaging series of events to take place at the [REDACTED] 25X1X7 Conference were the restrictions ONI imposed on its delegates in the use of current collateral intelligence. Recently a Soviet Navy Captain, file 25X1A2g [REDACTED], defected to the U.S. Considerable important information, particularly in the field of destroyers and nuclear submarines, had been obtained from this highly qualified source. All the necessary information had been released prior to the conference [REDACTED] 25X1X7 by CIA with the full knowledge and approval of ONI; however, ONI prohibited its delegates to the [REDACTED] Conference from discussing any of the information or even admitting knowledge of such evidence. No such restrictions were placed on the ONI delegates to the [REDACTED] Conference at which all of this 25X1X7 information was freely discussed. The ultimate effect at the [REDACTED] Conference was to shut off all discussion of this vital information. [REDACTED]

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A second source, who is also a highly valuable source, was recently interrogated by our Foreign Intelligence (FI) Division. This source, a [REDACTED] Petty Officer in the Soviet Navy and had been attached during 1957 and 1958 to a command stationed in Severodvinsk. He had considerable knowledge about the shipyard at Severodvinsk and the ships under construction at this yard. This information was extremely vital to the [REDACTED] Conference as the shipyard had been unobserved since 1949. Both CIA and ONI were prohibited by FI from using this information at the [REDACTED] Conference; however, it was learned from Cmdr. Showers, ONI YL, that Admiral Frost had obtained permission from Mr. Dulles to use this information at the [REDACTED] Conference and it was used by ONI representatives at this conference. Upon return to Washington of ORR delegates to the conference, this matter was discussed with the FI Division. FI advised they had no knowledge of such an agreement, however, they are investigating.

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Another important bit of intelligence was withheld by ONI from both CIA and ONI delegates to the [REDACTED] Conference. On about 12 September a newly constructed submarine was transferred from Shipyard No. 199 at Komsomol'sk to Vladivostok. This submarine was visibly observed by channels controlled by ONI and a sketch was made of this submarine that showed the general configuration and that the submarine probably was diesel propelled. This information was not made available to CIA prior to the [REDACTED] Conference nor was it made available to the ONI delegation to the [REDACTED] Conference but was presented by ONI and discussed at the later [REDACTED] Conference. This information was of exceptional value as it was the first sighting of a new class of submarine currently under construction at Shipyard 199.

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[REDACTED] Too little time was permitted the discussion of detailed intelligence and only broad generalizations resulted. For example, there was no detailed discussions of the

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numerous submarine projects. Discussions were limited to an admission that these projects did in fact exist and of the ones that were believed to be under construction in the USSR. There was no opportunity to discuss details of these submarines whereby they may be tentatively classified as to possible type, size or mission.

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The presentation of naval shipbuilding at the [REDACTED] Conference was assigned to ONI, [REDACTED]. As this presentation was limited to 2½ hours, it easily can be seen that no substantive discussion could take place.

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The total result was that the minutes of the [REDACTED] Conference will offer little of a substantive nature to the intelligence community.

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4. Conclusions and Recommendations

25X1X7 The manner in which ONI prepared and handled its estimates for the shipbuilding conference, the selection of delegates to present naval shipbuilding at the [REDACTED] Conference, the restrictions imposed on its delegates in the use of the most important collateral information that became available in 1959, and the withholding of intelligence information from CIA, certainly indicated an improper attitude and a lack of sincerity toward the [REDACTED] Shipbuilding Conference and a most uncooperative attitude toward CIA. Most of the foregoing difficulties in ONI were generated by the Y and N Branches. The G Branch, who has worked closely with ORR and who represented in part ONI at the [REDACTED] Conference, suffered many of the same embarrassments as the CIA delegates. Many of the difficulties were caused by the lack of internal coordination within ONI. 25X1X7

25X1X7 These conferences when conducted properly are highly valuable. An exchange of opinions [REDACTED] is always important. The [REDACTED] 25X1X7

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Shipbuilding Conference is supposed to produce the most significant statements on current shipbuilding in the Sino-Soviet Bloc, as it is here that the best of the intelligence [redacted] is brought together. However, the success of future conferences is in considerable doubt unless some corrective action is taken.

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It is highly recommended that the general problems mentioned in this report regarding ONI be discussed with ONI in order to prevent a recurrence of similar events at future conferences.



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